



THE PUBLIC ADVOCATE FOR THE CITY OF NEW YORK Bill de Blasio – PUBLIC ADVOCATE

December 18, 2011

BY MAIL AND EMAIL

Hon. Mayor Michael R. Bloomberg
City Hall
New York, NY 10007

Hon. Speaker Christine C. Quinn
250 Broadway
New York, NY 10007

Dear Mayor Bloomberg and Speaker Quinn,

I urge you to move forward on passing and signing into law a Living Wage bill for New York City's larger economic development projects. Our city is in the midst of a prolonged economic crisis that has battered the middle class, driven down wages and led to unacceptably high rates of unemployment. Underlying these problems is a rising income inequality that threatens our social fabric and economic future. New York City must move aggressively to address rising income inequality—and I firmly believe that the Living Wage bill represents one of the most immediate and important steps our City can take to do this.

The most recent U.S. Census data tells a troubling story. Almost half of Americans are living in or near poverty. In New York, the story is no better. While some in the city have done well over the last four years, median family income has fallen – by 4 percent for those with bachelors' degrees, and even more for those without. Between 2009 and 2010, a further 75,000 New Yorkers fell below the poverty line. New York City's working class is staring in the face of a profound income crisis.

In light of these facts, we should view the economic state of affairs in New York City as both a failure and a call to action. Over the last decade, we have not done enough to grow the prospects of all New Yorkers. Government must assert itself as a force on the side of the middle class, using all tools to encourage economic activity that creates jobs, and ensure that workers experience the benefits that are associated with that economic activity. This has not been the City's approach to date in its contracting process, pension investments, or in the regulation of businesses. In no place is the potential for that role stronger, and the missed opportunity greater, than in the case of the economic development subsidies that the City dispenses through the Economic Development Corporation.

The City's economic development agencies distribute discretionary subsidies to companies that promise to invest and grow in New York City. The process of getting economic development aid from the City is not easy. Nonetheless, companies work within the City's process and compete with each other to gain



THE PUBLIC ADVOCATE FOR THE CITY OF NEW YORK

Bill de Blasio – PUBLIC ADVOCATE

the City's support because of the promise that doing business here provides. While we do not have complete control over the economic prospects of all workers in our city, we do have the right—and the obligation—to fight for the best possible outcome for those who work in City development projects, funded with our tax dollars. And by the same token, we must accept a measure of responsibility for all those working at projects subsidized by the City who nevertheless earn wages insufficient to provide for themselves and their families.

In other cities, a Living Wage is an integral part of the standards that companies agree to when they accept discretionary support from local government. In Los Angeles, in San Francisco, in Pittsburgh – corporations that accept large public subsidies are required to do more than the minimum by paying a Living Wage. The provisions that these localities use for economic development subsidies have numerous positive economic impacts. They increase the income of workers in the projects thereby increasing the multiplier effect for the local economy; they reduce employee turnover resulting in higher productivity; and they ensure that workers in City-funded projects are less dependent on social services and pose fewer indirect impacts on their local budgets.

In the months since City Council Members Koppell and Palma introduced their Living Wage bill—leadership for which they deserve enormous credit—there has been heated debate. Detractors have made numerous claims of the negative outcomes that would occur if the City adopted a Living Wage. Upon close and thoughtful examination, I view many of these claims skeptically. Some have claimed that a Living Wage bill would inhibit future development, citing the City's experience with the Kingsbridge Armory as an example. I am the first to say that it was a tragedy negotiations were not able to yield a project at the Kingsbridge Armory. I do not subscribe to the notion that no projects are better than imperfect projects. But what killed the Kingsbridge Armory project was brinksmanship in the negotiating process—not the principle of a Living Wage.

The question then, is one of the viability of projects with Living Wage jobs. Is it possible to pursue large projects with wage mandates? When we look at jurisdictions with Living Wage requirements, the answer is a resounding yes. NYC EDC's counterpart in Los Angeles, the LA CRA, operates with Living Wage requirements for its projects. Under those requirements, the City has over 144 projects with Living Wage components. Those projects represent \$400 million in LA CRA spending, and have resulted in \$8 billion in private investment. In Los Angeles, the City and its development agency have managed to figure out how to leverage city assets to develop while ensuring a Living Wage.

It is clearly possible for a big city to adopt a Living Wage standard for economic development and still create jobs and economic activity. That is not to say that the Living Wage bill that has been proposed is without room for improvement. I am heartened by the changes that have already happened to make clear that the bill's intent is not to cover as-of-right subsidies, and with additional amendments that exclude the non-profit and affordable housing sectors. In addition, I recommend increasing the amount of revenue a business must earn to trigger the Living Wage requirement in order to exclude all small businesses receiving development aid. I urge these changes because, at its core, this bill's principle demands our support.



THE PUBLIC ADVOCATE FOR THE CITY OF NEW YORK

Bill de Blasio – PUBLIC ADVOCATE

We should leave no tool of government unused in the current economic climate. Where City business, contracts and assets can be leveraged to increase economic activity, improving the quality and quantity of jobs in our city, we must act aggressively. The desperate state of New York City's middle class, the experience of other localities, and improvements made to the bill in recent months have collectively convinced me that the time has come to pass a Living Wage bill that uses the power of our economic development dollars to reduce income inequality. I urge you to give this effort your full support.

Sincerely,

A handwritten signature in black ink that reads "Bill de Blasio".

Bill de Blasio

Public Advocate for the City of New York

cc: Council Member Oliver Koppell, Council Member Annabel Palma